

A vibrant mosaic background composed of small, irregular tiles in various colors including red, orange, yellow, blue, and white. A prominent white, wavy shape, resembling a stylized wave or a path, runs horizontally across the center of the image. The tiles have a glossy, reflective texture.

Proven Principles for Preserving Legacies Across Generations



Thinking About Legacies

Keeping alive a family's history and beliefs for future generations requires intentional and continuous effort. For too many families, these values and experiences are lost across generations, even if financial capital is passed along.

Legacy preservation involves defining the strategies and establishing the processes so both wealth and values can be sustained for many generations. Because family legacies extend beyond money, the right approach also involves articulating and communicating specific principles — business, personal and philanthropic — so all the family understands the origin of the wealth and its purpose in the eyes of family leaders.

This guide to legacy preservation will highlight proven principles and activities to perpetuate a family's success for multiple generations.

- 1 When it comes to investments, think human capital.
- 2 Developing social capital may be just as meaningful as building financial capital.
- 3 How much is enough?
- 4 Prepare to work on the “business of the family.”
- 5 Talk is valuable — and quality conversations invaluable.

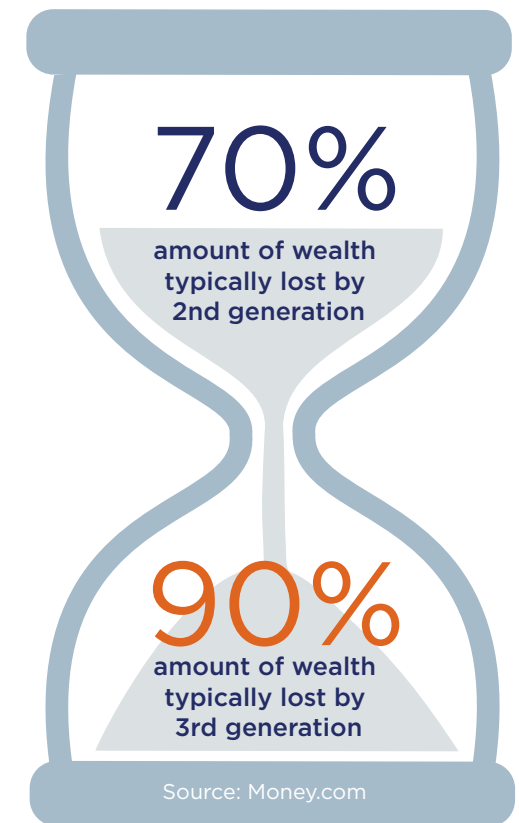
1 When it comes to investments, think human capital.

The odds are stacked against us.

Research shows that 70% of a family's wealth is depleted by the second generation and 90% by the third. Those are sobering figures, especially given the great deal of time and money often spent by wealth creators on sophisticated wealth transfer strategies to protect resources for their heirs.

Why is this so hard?

Legacy preservation — like wealth creation — is not easy. But much of what makes it difficult is rooted in human nature. That's why investments in human and intellectual capital offer superior returns by preparing heirs to be good stewards of family resources. Modeling appropriate financial behavior and prudent decision making are the important steps in developing a family's human capital. Similarly, rewarding young people for initiative and problem solving can help instill an entrepreneurial spirit and sound work ethic which may help sustain wealth and legacies long into the future.





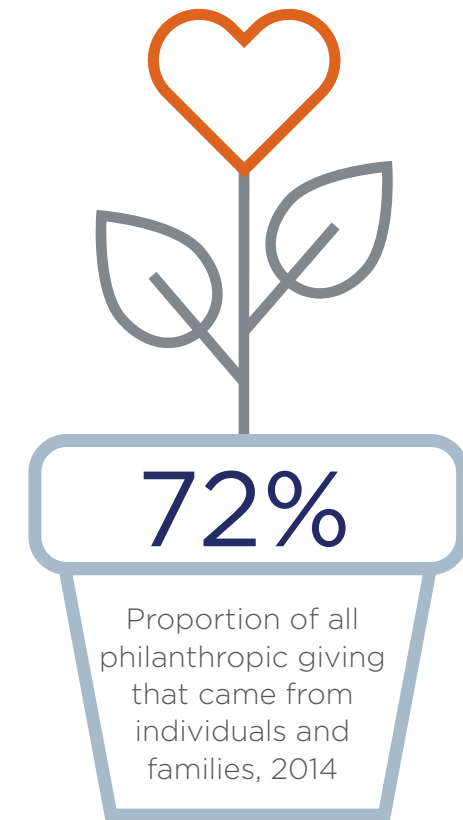
2 Developing social capital may be just as meaningful as building financial capital.

Bonding through philanthropy

Legacy preservation happens outside the family as well as within it. Many successful wealth creators give back to the communities in which they became successful. Families that invest their time and financial resources build social capital and publicly demonstrate their values.

Beyond expressing values, community and philanthropic engagement also provides an opportunity to engage family members of all ages and generations to participate.

The ability to work side by side with wealth creators, and then continue that work in the future, not only preserves legacies, but can also help bond the family around a single cause or institution.



Source: National Philanthropic Trust



3 How much is enough?

Empowerment vs. entitlement

This is the optimal — but difficult — balance that must be struck in legacy preservation.

Too often, a sense of entitlement takes hold due to lack of communication and transparency. Families may want to keep quiet about their wealth, fearing that full disclosure will spoil the children, undercut their motivation or call too much attention to the family. But in our experience the opposite is true — more communication is generally better and helps to counter both entitlement and the mistaken notion that wealth can be taken for granted.

Families that stress the idea that wealth is a privilege, not a right, are much more likely to preserve it.

Warren Buffett on the right amount to leave children:

“Enough so that they would feel they could do anything, but not so much that they could do nothing.”





4 Prepare to work on the “business of the family.”

Families are organizations, too.

As time passes, family members become further removed from wealth creators and their inspirations and values. If rising generations don't share these original ambitions or don't feel motivated to preserve the wealth, then wealth may dissipate easily and quickly. That's why legacy preservation requires an intentional framework.

Consider ways to keep alive the spirit of the original wealth creators. Develop a family mission statement — they're not just for companies. Create a guiding vision or blueprint for philanthropic efforts.

For large and very wealthy families, governance processes and documents can help reduce friction. For family-run businesses, consider training in leadership, succession planning, conflict resolution and collaborative decision making.



Define what success looks like and monitor progress toward these goals.

5 Talk is valuable – and quality conversations invaluable.

To a large degree, all of these principles boil down to communication. But it often feels uncomfortable to talk about money – to set limits or discuss the responsibilities great wealth may entail. But, if family values matter, they are best preserved through clear articulation, sharing and explanation.

In these conversations, it's important to accept the emotional and psychological components of wealth preservation.

Recognizing these factors is hugely helpful to “de-toxing” money conversations and developing healthier attitudes toward family wealth. Full transparency leads to greater education, which leads to the ability to practice prudent financial management when the time arises.

The conversations will change over time, as your children age. But it's critical that these conversations take place. At its core, legacy preservation is closely involved with essential parenting and grandparenting skills. Again, this is challenging work, but it is highly rewarding (both financially and emotionally).



Good questions to ask:

- Will your kids, grandkids and great-grandkids remember what made you tick?
- Have you shared what mattered most to your parents and grandparents?
- Have you talked to your spouse about what you want for your children?



Another proven principle: Find a great advisor.

You're not surprised we would say that.

Many wealthy families turn to investment professionals who make decisions about financial matters exclusively — whose only purpose is to create more wealth to benefit current and future generations. However, in our experience, the most important issues and principles of wealth preservation are qualitative, not quantitative. It's not about accounting, maximizing returns and trying to beat the market.

The families that successfully preserve their wealth and legacies across generations are notable for their commitment to communicating openly and sharing the values of the original wealth creators.

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